



January 2010	SRSM & Beyond Project
	Government Response on Smart Metering – ERA Position Analysis
Version: 1	Engage Consulting SRSM Project Team

Section 1 – ERA Position Analysis

Q1 - Delivery Model

Original ERA Response:

We fully supported that a centralised communications service must be core to the market model for smart metering. Our response also stated that the detailed design of the central communications service should be developed by a central industry programme.

Government Response:

Government concludes that the Central Communications model should be adopted as the delivery model for domestic smart meters. They also confirm that a considerable amount of further design work is now needed to establish how the Central Communications model should best be delivered.

ERA Position Analysis following Government Response:

The decision to land on the centralisation of communications aligns with the ERA's position. Government has stated that within the Central Comms model, Suppliers will be fully responsible for purchasing and installing meters, and that communications services are co-ordinated centrally. This aligns fully with the ERA's understanding of the model. The ERA has a policy position on the scope of the Central Communications model which is described in the Market Model Summary paper.

Q2 – Comments on analysis of delivery model in consultation/reports/IA

Original ERA Response:

We supported the adjustments to costs, benefits and risk assessments and accepted that they cannot be 100% accurate. We did comment on the fact that previous versions of the IA were under/over stated in a number of areas and that the ERA was pleased that this had been addressed.

Government Response:

The IA has been amended further since the May 09 publications with an increase in NPV of £2,389 bn.

ERA Position Analysis following Government Response:

The main change to the Impact Assessment is the overall increase in NPV which is largely due a re-calculation of the expected cost of carbon going forward. There are some other subtle changes which we are generally happy with.

Q3 – Central Comms model facilitating ‘end to end’ management of the electricity networks system needed for smart grids**Original ERA Response:**

The ERA agreed that the Central Comms model can effectively facilitate the development of networks systems towards smart grids. The ERA also suggested that the key issue was to identify the functionality required in metering systems and then adding that to the metering system definition.

Government Response:

Government concludes that the Central Comms model will provide a basis for the future development of smart grids and that the energy network operators will need to be fully engaged in the preparatory work so that their interests are properly reflected in the design of the meters and communications systems.

ERA Position Analysis following Government Response:

The Government and ERA are aligned in their positions and the ERA is working with the ENA to identify common requirements.

Q4 – Should Government adopt measures to promote co-ordination of roll-out at a local level**Original ERA Response:**

The ERA position is that it is difficult to envisage how Suppliers alone could lead any form of co-ordination under a competitive installation approach. Consumer engagement benefits could be met through a national comms campaign together with more localised communications from Suppliers. We also suggested that Suppliers could publish details of geographical areas being targeted, or to engage with local authorities or local Government when targeting roll-out in a particular area. Setting up a body to co-ordinate roll-out fundamentally changes the market model.

Government Response:

Government believes that strong engagement among local communities will be powerful in generating the necessary awareness, enthusiasm and take up of smart metering and therefore intends to develop measures to promote co-ordination of roll-out at a local level. The Implementation Programme will assess the optimal approach to an area by area deployment further.

ERA Position Analysis following Government Response:

The ERA welcomes localised communications with customers, as we believe this will help to deliver benefits to customers. There are many considerations that need to be taken into account for any localised or targeted roll-out though and we welcome early analysis and discussion on the impact of any local co-ordination measures in a Supplier led roll-out of smart metering. Any potential targeting of customers or localised roll-out

needs to be considered in terms of the priority of Government policy drivers, e.g. maximising positive cost benefit case, carbon reduction, energy efficiency, fuel poverty. An area-by-area approach is also likely to add both complexity and constraints on Suppliers, and will not facilitate issues such as consumer requests for smart meters that fall outside of a particular area that is not currently in roll-out deployment. As Suppliers will have the responsibility for roll-out, the implications of a more targeted roll-out must be well understood and assessed, including any additional efficiencies and costs. There are likely to be a number of options available to deliver more targeted roll-out, so there is more work to be done to understand the objectives and requirements so that the options can be assessed. This needs to be a key body of work to be concluded in Phase 1 of the Smart Metering Implementation Programme. All this needs to be considered in the context of an aggressively competitive supply market and a mixture of dual and separate fuel supply.

Q5 – Should any policy considerations be taken into account in considering whether there should be priority target groups for early deployment

Original ERA Response:

The ERA stated that introducing any constraints to roll-out will compromise Suppliers' ability to roll-out smart meters in the most cost effective manner. Costs for special visits had not been included in the impact assessment.

Government Response:

The Government response does not include anything specific about considerations for targeting specific priority groups as part of roll-out. However, the Implementation Programme work should give further consideration to other issues which might potentially be reflected in deployment strategies such as alignment with Government's wider policy objectives.

ERA Position Analysis following Government Response:

This needs consideration in the Implementation Programme in the same way as Q4 above.

Q6 – Comments on merit of alternative processes where networks businesses take on responsibility for aspects of smart metering

Original ERA Response:

The ERA response was supportive of work being carried out to consider the issue, but stated that any such work should not result in a delay to progression towards mobilisation.

Government Response:

Government has carried out an evaluation exercise of 3 alternative network based delivery models. The outcome was that the Central Comms model should be taken forward.

ERA Position Analysis following Government Response:

See Q1 comments – the ERA and Government positions are aligned in that the Central Communications model should be taken forward.

Q7 & Q9– Functionality for electricity and gas meters**Original ERA Response:**

The ERA fully supported the high-level functionality being proposed for meters as it aligned to the SRSM meter specification. In relation to the gas valve, the ERA was pleased to see that a gas valve was included as standard functionality to be provided and supported the view that more work would be required to develop standards for the testing, maintenance and operation of valves in gas meters.

Government Response:

Government has confirmed that the high-level functionality as described in the May document will be taken forward. The only exception is with the valve in gas meters, where Government will undertake more work to assess some of the technical issues raised before a decision is taken. Detailed work on the lower-level functionality will be carried out under the Implementation Programme.

ERA Position Analysis following Government Response:

Whilst much of the argument for inclusion of a valve in gas meters is based around the facilitation of the future development of a true 'pay as you go market', the Government response is relatively silent on this area. Instead the response is focused on the need to secure adequate consumer protections relating to activities such as switching between credit and pre-pay, and remote disconnection. The ERA is supportive of having appropriate customer protection measures in place and these need to be considered in future under an appropriate governance structure (e.g. self-regulating, see Section 2). The arguments for including a valve in gas meters have been made on a number of occasions, and it is assumed that one of the biggest factors for Government not making a statement of inclusion of a valve at this stage is due to concerns raised around consumer safety. We recognise that safety is extremely important and it is expected that safety should form part of the market design (e.g. ensuring that gas supply can not be reconnected remotely without the customer present, as suggested in the ERA SRSM output). We should note that existing gas prepayment meters with valves successfully incorporate safety features to cater for disconnection and restoration. With this in mind, it is understandable that Government wish to carry out further analysis, as this issue must be resolved in the Prospectus in Phase 1 to give certainty to Suppliers in purchasing meters and developing back-office systems. As the key stakeholder with responsibility for purchasing meters, we look forward to contributing to the technical assessment of gas valves, where the ERA still believes that a gas valve should be provided as minimum functionality.

Q8 - Additional requirements to facilitate smarter network management**Original ERA Response:**

The ERA highlighted that the business case and impact assessment had been carried out for smart metering only, and that further work could be required for smart grids. In relation to additional requirements of meter functionality to facilitate smarter network management, the ERA response added that the apportionment of additional costs should be addressed by the central programme.

Government Response:

The Government states that networks needs are broadly covered by the high-level meter functionality being taken forward, and that the detailed proposals made by some respondents on smart grid functionality are a subset of the high-level requirements already agreed.

ERA Position Analysis following Government Response:

The ERA is keen to ensure that any functionality required for networks businesses is subjected to sound cost benefit analysis. The ERA will continue its work with the ENA in developing their functionality requirements further. The Implementation Programme must take into account any CBA, and that any additional costs for networks requirements are apportioned accordingly.

The ERA believes that there are potential ENA requirements that are not reflected in the current list of electricity metering system functionality, particularly 4-quadrant measurement (i.e. including reactive power) and voltage sensing.

Q10 – Is there scope for retro-fitting non-valve functionality to gas meters**Original ERA Response:**

The ERA focused its response on the need to agree functionality first before looking at how that functionality could be delivered. We also confirmed that the ERA definition of interoperable smart metering does not constrain whether a solution is delivered in a single box, or as a modular solution.

Government Response:

The response from Government does not comment further on retrofit in its conclusions.

ERA Position Analysis following Government Response:

The ERA position remains as in the consultation response.

Q11 – Are there any additional maintenance/admin/management costs associated with having a valve in all gas meters**Original ERA Response:**

The ERA response highlighted that the inclusion of any physical feature within a metering system is likely to involve costs for maintenance/admin/management, and equally there are likely to be costs in supporting variations of metering systems. In particular, if valves were only included where metering is serving traditional prepayment customers. We highlighted that gas meters without valves will add complexity to the market, as well as potential for stranding in the manner that prepayment meters get swapped out today.

Government Response:

See answer to Q7 & Q9. Government intends to carry out further analysis on the inclusion of a valve.

ERA Position Analysis following Government Response:

We look forward to contributing to the technical assessment of gas valves, where the ERA still believes that a gas valve should be provided as minimum functionality.

Q12/Q13/Q14 – Do you agree with the position that IHD’s should be provided with a smart meter/comments on what sort of data should be provided/comments on accessibility of meters/display units for particular customers

Original ERA Response:

The ERA’s position on IHD’s has recently changed from that included in the original response and now states that an IHD should be offered to all consumers at the point the smart meter is installed, and that Suppliers should be allowed flexibility to offer alternative options (via internet, TV, mobile app etc) that meet a set level of criteria such as level and frequency of information.

On information to be provided, the ERA focused it’s response on a previous paper on Data Access & Provision. This paper suggests that the provision of data to customers needs to be defined as standard in order to allow for competition for services by energy Suppliers and other companies offering services beyond that level.

In relation to accessibility of meters/display units for particular customers, the ERA simply stated that there will be a need for Suppliers to take into account the needs of individual customers by providing the right information in an appropriate way.

Government Response:

The Government position is that IHD’s should be provided with smart meters in order to secure the consumer benefits of smart metering. They go on to recognise that there are alternative means of providing information to consumers, but there is less evidence of their effectiveness. The next steps will be to develop the requirements in more detail, taking account of outputs from the EDRP trials, and also considering what specific requirements should apply in cases where it is clear that consumers do not wish to have an IHD. The Implementation Programme will be responsible for this work, as well as defining the detail of minimum display functionality, and minimum common information to be provided.

ERA Position Analysis following Government Response:

We welcome that the Government recognises there will be cases where an individual consumer will not want an IHD and that policy should take into account experience from the EDRP trials. This is a key area for differentiation and real innovation in the market and customer choice will be extremely important. Given the technological and customer advances likely in this area, we recommend that any mandated policy is regularly reviewed.

The ERA looks forward to participating in the work in the Implementation Programme on defining the minimum functionality of displays and what data should be provided to consumers. There is the ERA paper on Data Access & Provision that can be built on.

Q15 - Do you agree with the Government’s proposal to extend to the small and medium non-domestic sectors the minimum functionality that we will require for smart meters in the domestic sector, with certain exceptions to allow for individual customer requirements?

Original ERA Response:

The ERA agreed with the idea of domestic sized metering being smart and stressed there should be very few reasons for exception and that exceptions should not be encouraged.

Q16 - Comments on how such a requirement, and the exceptions to it, should be framed

Original ERA Response:

The ERA indicated that the arrangements would be by licence conditions and reiterated that they should not encourage exceptions.

Q17 - Comments on how the proposed new requirements should work in the context of the current developments in metering in this sector

Original ERA Response:

The ERA suggested that smart metering arrangements should eventually be universal and that AMR should be superseded in the long run (this can include adaption or adoption).

Q18 - Comments on the implications of the Government's proposed approach in this sector for the future development of smart grids

Original ERA Response:

The ERA noted that we had made more response on smart grids to a previous question. We noted that the portion business metering not considered in this consultation accounts for a significant amount of watts. But the timescales for establishing smart grids could be quite compatible with allowing those meter points into the same scheme.

Q19 - Comments on the revised Consultation Impact Assessment for this sector

Original ERA Response:

The ERA expressed comfort at the IA but expressed concern that different technical options were presented as being "best for business" – that business need lesser solutions

Q20 & Q21 - Comments on the implications for the non-domestic sector of the options identified for a domestic delivery model/Approach to promoting interoperability in the non-domestic sector

Original ERA Response:

The ERA highlighted the need for true interoperability and that the interoperability being developed for Business is more a level of comfort.

Q15 to Q21 Government Response:

The Government generally agree that exceptions to smart metering should be very limited:-

- where advanced meters have been installed before April 2014 and the customer wishes to retain the existing meters; and
- where advanced meters have been installed after April 2014 under pre-existing contractual arrangements; and

- where there are technical constraints on the achievement of smart functionality.

But the government “will not require meters for non-domestic customers to include functionality to support remote enabling and disabling of gas supply. Provision of that functionality will be left to the market”

Displays - The Government does not, therefore, intend to require a real-time display device to be provided to all electricity or gas consumers in this sector. The Government recognises this as an area that needs work.

Interoperability - Government suggest that this may follow the domestic model.

The Government notes the wide range of other issues raised by respondents. These included, but were not limited to, the need for provision of advice to maximise use of the new meters, the possible need for additional regulatory protection for small non-domestic customers, the cost and accessibility of smart meters and installation services for small Suppliers, data security and the relationship of the central communications body to the largest electricity and gas users. The Government is grateful to respondents for raising these issues, which will be addressed further at the appropriate stages of the Implementation Programme.

ERA Position Analysis following Government Response:

The ERA maintains its position that domestic sized metering should be smart. This should include all of the functionality that is provided for domestic smart metering (including a gas valve).

The distinction between domestic and SME in terms of metering system functionality is likely to lead to a costly tier in the market and all the problems of change of use.

There is work required to understand when the exceptions defined by the Government might apply and we maintain that exceptions should not be encouraged.

Maintaining multiple solutions in the non-domestic sector does not deliver interoperability (and therefore may lead to a change of meter at a Change of Supplier event) and is likely to compromise the ability to deliver smart grid applications. Non-domestic customers with higher demand are likely to be a focus for network driven smart grid actions, therefore need to support smart grid functionality. The sooner we get to universal smart metering and communications, the easier it is to implement smart grid. The smart metering Implementation Programme will be considering requirements for CCP in Phase 1 in parallel with this and this needs to consider how to integrate non-domestic communications (or not).

Smart metering arrangements should be universal and AMR should be superseded in the long run (this can include adaption or adoption).

Q22 – Has Government identified the right issues for immediate next steps

Original ERA Response:

The ERA response highlighted a number of issues and next steps that would need consideration as follows:

The Central Programme – The ERA stated that initiating the central programme as the most important step to get smart metering rolling and any delay in programme initiation would have serious knock-on effects in being able to meet the 2020 target. The response included 4 important areas that would need to be resolved before a central programme should be initiated

- Governance would need to be robust and transparent to ensure credibility
- Leadership and structure as well as stakeholder engagement would need to be strong
- Resource would need to be secured and that there are various options available to resource the central programme
- Funding would need to be resolved

The need for a strategic vision and a Strategic Design Authority – The ERA suggested that a vision is required in order to set the industry a realistic target for smart metering, and then a need to develop a roadmap to deliver against. The ERA also suggested the need for the creation of a Strategic Design Authority (the SDA) to be responsible for the overall strategic vision of the GB energy industry. The SDA would be an enduring role to oversee the delivery of a sustainable long-term vision for the industry.

Early work on Central Comms – The ERA described this as a critical path activity, and that early work would increase the chances of a prompt and robust delivery of the programme.

Early work on interoperability – Here, the ERA response focused on the need to define interfaces for HAN/WAN, along with the human interface with the meter. Requirements definition work was also highlighted as an area that needs to be started early in order to be clear what industry will be using the smart metering infrastructure for.

Commercial interoperability – Whilst the consultation recognised the need for technical interoperability, there was no mention of the need commercial interoperability. With meters staying on the wall following a CoS event being a key objective, there will be a need to ensure commercial interoperability for instances where a Supplier takes on a site where they have no metering contractual arrangements in place.

European Standards – The ERA pointed out the work in Europe around developing interoperable standards and that their development work in GB must be done in parallel in order to prevent misalignment.

Industry Codes & Governance – The new smart metering arrangements will require new governance arrangements and the ERA suggested that there would be a need to create a “smart metering body” to manage new arrangements. We suggested that Ofgem would be best placed to take the lead on this area.

Gas & Electricity Convergence – There will be a need to assess any future changes and programmes in order to deliver common benefits across the industry. Project Nexus was used as an initiative that should be assessed in light of the industry vision for smart metering.

Government Response:

The Central Programme – Government confirms that a major central programme will be required to design and implement cross-industry arrangements for smart metering. This will be set up by Ofgem immediately and high-level details have been given. Phase 1 will be a joint DECC/Ofgem initiative with DECC chairing an over-arching DECC/Ofgem Strategic Programme Board to provide the necessary strategic oversight and direction during Phase 1.

Phase 1 will concentrate on defining the scope and key principles of the solution for smart metering and translate these into detailed implementation strategy. The key output expected in the Summer of 2010 will be a prospectus that sets out a statement of design requirements; a commercial and regulatory framework to cover development, installation and operation of the solution; the phasing and timetable for roll-out and the roles each party will play in meeting these; and a programme plan for the remaining phases.

Phase 2, the detailed design phase, will prepare the functional specifications for the smart metering solution and detailed definitions of the commercial arrangements that will underpin it. The current view is that the detailed design phase is likely to be completed around summer 2012, paving the way for the build and roll out phase.

Phase 3, Implement Design, will include rolling out the central systems, co-ordinating the preparatory work of energy companies, integration testing, implementation of metering system installation standards and system commissioning as well as customer communications.

The need for a strategic vision and a Strategic Design Authority – Whilst acknowledging that a number of respondents suggested the need for vision and the SDA, Government state that it is not clear what role the SDA should take and for how long (i.e. should it be for the life of the programme or enduring). So, there is very little mention of a strategic vision or SDA, instead the statements concentrate on DECC and Ofgem leading a Strategic Programme Board for Phase 1 of the programme.

Early work on Central Comms – There is no mention on any early work on the scope of Central Comms, instead, this will form part of Phase 1 of implementation.

Early work on interoperability – There is very little mention of interoperability in the whole response, neither commercial interoperability nor technical interoperability. We assume that this will form part of the Phase 1 work.

European Standards – Government states that the UK will continue to engage with the Commission on European Standards as the Implementation Programme moves forward.

Industry Codes & Governance – There is nothing specific in the Government response in relation to the expected smart metering code. However, Government does confirm that there will be a need to carry out a significant review of industry codes/governance and regulation as part of the Implementation Programme. It is expected that Ofgem itself will need to carry out this piece of work.

Gas & Electricity Convergence – There are repeated statements around the need to ensure there is adequate stakeholder engagement and the need for industry simplification which could imply convergence.

ERA Position Analysis following Government Response:

Overall, the ERA key messages document is the ERA update on this section.

The ERA maintains that the other issues raised need to be resolved and must form part of the scope of Phase 1 of the Implementation Programme, with resolution to these issues scheduled for summer 2010.

We welcome the engagement with the Commission on European standards and remain committed to supporting the Government in this work.

The ERA remains convinced that there is a need for strategic vision in the development of smart metering. We look forward to the Strategic Programme Board providing this view in Phase 1 and for energy Supplier executives to be members of that board. The delivery of a strategic vision should be embodied into the governance of all phases of the Implementation Programme and the enduring industry arrangements.

Q23- Other comments/evidence relating to the consultation

Original ERA Response:

Stranding of legacy metering assets – The ERA believes that there is a need for a fair and equitable financial mechanisms to deal with stranding, adding that there is a risk that metering costs could increase in future as asset owners build in a greater level of risk into the costs for meter rental.

Early adopters of advanced or “smart-ish” metering propositions – The ERA suggested that Government should ensure that only smart meters are installed after the official smart metering roll-out start date, and that there was sufficient consideration of the implications of the continued installation of advanced or “smart-ish” meters in the meantime. The ERA suggested 2 ways of dealing with these meters 1) they will need to comply with smart metering standards before 2020, or 2) for those meters to make use of the central comms infrastructure before 2020 (if technically feasible).

2 year must inspect obligation – In developing a case for the relaxation or removal of the current obligations to inspect meters every 2 years, the ERA pointed out that the introduction of smart metering will present an ideal opportunity to assess whether or not the current obligations are actually needed in a smart world. The ERA also suggested that the costs of meeting the obligation in the absence of cyclic reading visits may have been underestimated in that cyclic visits help deliver the obligations at a very small incremental costs rather than special targeted visits.

Suspending the existing recert/policy exchange programmes – The ERA suggests that continuing to replace dumb meters for dumb meters immediately prior to roll-out, and throughout roll-out (as suggested in the market model evaluations) will be highly inefficient bearing in mind those meters will be replaced with smart meters before the end of their expected shelf-life. The ERA suggested that the Central Programme should investigate how this should be avoided and referenced the In-Service Testing regime as an alternative process. Another suggestion was that once smart meters are available that comply with the agreed standards, Suppliers could replace aged dumb meters with smart meters regardless of whether or not the comms solution is available – and that further visits could be made in order to commission the comms element.

Project Nexus & smart metering – With xoserve’s Project Nexus appearing to be progressed without any consideration for smart metering, the ERA felt it appropriate to highlight its concerns and suggest that the project should be reviewed as soon as

possible in order to ensure that any industry investment is maximised and that any unnecessary costs is not passed onto consumers.

Government Response:

Stranding of legacy metering assets – Government remains unpersuaded that there is a case for establishing a scheme to compensate for stranding costs, rather than allowing them to lie where they fall. They also suggest that where network businesses have provided a meter under regulated price controls, and that they consider the premature replacement of that meter requires a price control adjustment, the network business will need to take the matter up with Ofgem.

Early adopters of advanced or “smart-ish” metering propositions – Government acknowledge the range of issues raised in relation to early adopters and installations as part of trials, particularly issues raised around commercial and technical interoperability. The Government response is that these issues and the balance of arguments will need to be considered as part of the first Phase of the Implementation Programme’s work.

2 year must inspect obligation – The main response document is silent on the 2 year must inspect issue. The revised Impact Assessment document does however confirm that the assumption that the obligation remains, and on closer inspection of the financials, the benefit has changed from 80p per meter/year to 75p per meter/year – a £5m increase in costs.

Suspending the existing recert/policy exchange programmes – DECC have discussed this issue with the National Measurement Office, and suggest that whilst the systems and statutory framework for monitoring accuracy performance are different, the overall approach to date has been to keeping conforming meters on the wall until there is evidence to show that performance has deteriorated. Government suggests that there is no existing policy that causes still conforming meters to be exchanged. In recognition of the new IST regime arrangements for MID meters, Government and NMO suggest that those arrangements might also be appropriate for pre-MID meters, and NMO will be arranging a meeting shortly to discuss this and other potential alternative approaches.

Project Nexus & smart metering – There Government response on this is silent, but it may be reasonable to assume that issues such as this should form part of the Implementation Programme’s work on industry codes/governance and regulation.

ERA Position Analysis following Government Response:

The ERA is pleased with the initiative with the NMO and looks forward to an active engagement through the development of approaches to address these issues.

On the early adopters point above, we believe that there will have to be some trialing done by Suppliers to test smart meters, the infrastructure and back office systems. This will be essential for testing market readiness and business readiness in advance of Go-Live. The absolutely key principle of any arrangements put in place to cover early adoption must be that the delivery of the smart metering programme should not be compromised or de-stabilised. It is crucial to concentrate on the robust, timely, cost effective implementation of smart metering in GB.

It is also important to assess what arrangements might be put in place for change of supply for early adopters (e.g. are interoperability arrangements put in place to cover

early adopters at change of supply; are any meters and associated arrangements purely at the Supplier's risk; or is there more transparency required on what meters are installed with what functionality and communications?).

The ERA maintains that the other issues raised need to be resolved and must form part of the scope of Phase 1 of the Implementation Programme, with resolution to these issues scheduled for summer 2010.

Other issues raised in the Government Response:

Workforce issues – Government highlight the issues raised in responses to workforce related issues. They recognise that issues such as how best to support people in adapting to the changes involved from the roll-out of smart metering and how to ensure that new opportunities for developing skills and employment opportunities are fully realised are very important. Government state that it will be important to assess the potential supply chain opportunities for UK-based businesses and their employees as work under the Implementation Programme progresses, and that constructive dialogue in this area will continue.

Section 2 – Self Regulation & Governance

It is recognised throughout the Government response that many of the industry codes, governance and regulatory obligations will need to change to reflect the change in technology and industry processes that develop to support smart metering. This will also be the case in areas where the industry is self regulating, and in particular, in areas of protecting consumers. This section identifies those current self-regulation areas that will need to be considered as part of the overall changes resulting from the roll-out of smart metering. It may be the case that some of the changes to the areas listed below may not need to be considered during the early stages of the Implementation Programme as there may be insufficient detail of what any new processes for smart metering will look like.

Disconnection Safety Net for Vulnerable Customers

The ERA's 'Disconnection Safety Net' procedures have been in place since 2004, and are aimed at preventing the disconnection of gas or electricity supply at premises where vulnerable customers are present. This policy has been heralded by many as an excellent example of industry developing self-regulation for the protection of the consumer. Whilst most Suppliers have a policy of disconnecting consumers who either refuse to pay their bills, refuse to enter or stick to a payment arrangement, or refuse to have a prepayment meter installed, they have all adopted additional procedures and measures to identify vulnerable customers.

As smart meters are expected to include functionality to enable remote disconnection/reconnection, many of the groups representing consumers have raised concern that there will need to be robust consumer protection measures in place to ensure that consumers are not disconnected unnecessarily, particularly those who are classed as vulnerable customers.

The Code of Practice for Accurate Bills

The ERA's Billing Code was established in 2006 following concerns from Ofgem and energywatch over the number of consumer complaints relating to energy billing. The code is intended to help domestic consumers by clearly setting out what they can expect from their energy Supplier in terms of their energy bills. The code provides that bills and statements are clear, accurate, informative and timely; provide support and advice on monitoring energy consumption; provide support and advice for those having difficulty paying their bills; and contact details for raising questions and issues with Suppliers. The code also provides protection for consumers with limits on the ability of Suppliers to back-bill consumers for a period greater than 12 months in certain circumstances.

One of the key benefits of smart meters for consumers is the expected improvement in billing accuracy and prevention of estimated bills as a result of remote meter reading

functionality, which may negate the need for the code in its present form once the roll-out of smart meter is complete. However, it must be recognised that the roll-out of smart metering is likely to uncover a considerable number of problems relating to legacy meters and data (such as crossed meters, incorrect address details, missing/incorrect meters etc), and consideration will therefore need to be given as to the suitability of the code for both the during roll-out, and when roll-out is complete.

Prepayment Debt accrued from the non-recalibration of Prepayment Token Meters

In 2006, Ofgem wrote to electricity Suppliers expressing concern that customers with electricity prepayment token meters may have built up debts on their accounts following the failure of Suppliers to update the meters with new tariff prices following price increases. At that time, Ofgem issued some good practice guidelines regarding the recalibration of token Prepayment meters. In line with this guidance and in order to satisfy many of Ofgem's concerns, many Suppliers gave a commitment to seek to accelerate meter exchange programmes and to write-off debts built up as a result of failure to failure to recalibrate meters (some Suppliers had exceptions to the debt write-off element if it was clear that the consumer had refused access for the meter to be recalibrated or exchanged).

Since 2006, Suppliers have actively targeted token Prepayment meters for exchange and the number of these meters still in situ (for all Suppliers) as of June 2009 was approximately 158,000 across GB. Whilst this volume is relatively low, and the commitment to write-off debts in certain circumstances may not be recognised as a formal self-regulation activity, considering the issue as a self-regulatory initiative may be viewed as a sensible approach, particularly with the sensitivities raised to Government in the area of prepayment as part of the consultation process.

AES Code of Practice for Face to Face Marketing of Energy

The AES Code was established back in 2002 following an increase in complaints relating to the sales practices of energy companies. The Energysure accreditation scheme was also introduced at the same time. The Code sets out clear standards to which sales agents are expected to operate to in order to give consumers confidence that the agent will operate in an honest and trustworthy manner. Since its introduction, there has been a 99% decrease in complaints relating to energy sales.

Whilst interoperability for smart metering will ensure that any Suppliers will be able to supply any consumer, it is likely to introduce a significant increase in the amount of available tariffs offered by Suppliers, and this, coupled with Ofgem's recent findings from the Energy Supply Probe that some consumers have switched to tariffs with higher prices as a result of a sales visit, indicates that the Code and Suppliers sales practices in general may need to be amended or updated to recognise the change in technology.

Energy Supplier Transfer Monitoring User Group (ESTMUG)

January 2010

ERA Position Analysis

Established in March 2006 following the ERA led Improving the Customer Transfer Process (CTP), ESTMUG continues to monitor the effectiveness of the Change of Supplier process in GB. Suppliers provide information that enables performance to be monitored against a set of pre-determined measures.

With smart metering presenting a significant opportunity to improve the customer transfer process through more accurate meter readings, and the potential to reduce the transfer timescales, the ESTMUG performance measures may need to be amended to reflect any changes to the retail based processes.

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